Top Secret

SPECIAL ANALYSIS

BOLIVIA: Problems Facing the Gueiler Administration

[redacted]

Interim President Lidia Gueiler's principal task is to foster a stable enough climate in Bolivia to permit a decisive presidential election next May. She must contend with the same chronic political and economic problems that ex-President Guevara faced, but probably has a better chance of success. [redacted]

Gueiler's unique advantage is the circumstance that gave rise to her assumption of power--popular repudiation of the rightwing military effort to upset the constitutional process. She also benefits from 33 years of political experience and close ties with some of Bolivia's most powerful political figures. She faces enormous problems, however, including an economy near bankruptcy, a fractious political environment, a flawed electoral system, and a divided military attempting to redefine its role. [redacted]

Politically, Gueiler is leftist-oriented. She is said to have close personal ties to the leader of the Marxist-Leninist wing of the Bolivian Communist Party. Her cabinet includes several members who have had links with the Bolivian Communist Party or other leftist political groups. Gueiler is not bound by doctrine, however, and appears open to suggestions from a range of political persuasions. She has worked closely with the Nationalist Revolutionary Movement, whose most important faction, led by former President Victor Paz Estenssoro, is strongly supporting her government. This group has a majority in the Congress and has gained most of the positions in the new cabinet. [redacted]

Gueiler also has had close contact with leftist labor leader Juan Lechin, with whom she helped organize the Revolutionary Party of the National Left in the 1960s.

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Her ties with Lechin have improved the chances for constructive dialogue with labor; the Bolivian Workers' Confederation has even submitted its economic plan to the government and said it is willing to exchange ideas.

Gueiler, however, does not have the backing of all major political figures. Hernan Siles Zuazo, who heads another major faction of the Nationalist Revolutionary Movement, has declined to participate in the new government, although he has pledged his support. Former President Hugo Banzer and his supporters in the Congress have dissociated themselves from Gueiler's administration. Both men, as well as Paz Estenssoro, are likely to be candidates for the presidency next year. Their entry into the race could bring a return to interparty ideological conflict, with its damaging effects on congressional unity and government policies. In addition, labor's support for the government could vanish if Gueiler adopts a policy of fiscal retrenchment that places severe burdens on the working class.

The Economic Situation

The critical economic situation also poses problems for Gueiler. Bolivia has a $3 billion foreign debt and liquid gross reserves of only $15 million. The International Monetary Fund will provide assistance if Bolivia implements a stabilization program that includes a steep increase in domestic petroleum prices and a devaluation of the peso. The government has agreed to the Fund's requirements but is already encountering stiff resistance from labor and peasant groups. A solution will require cooperation among the President, Congress, and labor--a joint effort that was lacking under Guevara and is already threatened under Gueiler.

The Military Factor

The President must also reckon with the military, which has been repudiated by the civilian population and is unable to act as a united force. Its ranks are split

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between those who advocate professionalism and political impartiality and those who favor continued intervention in national politics. As it reevaluates its role in the governmental process, the military has to deal with its problem of internal divisions.

The first major test of the new government's relations with the military may come this month when high military posts and key command positions are rotated. The government is likely to try to use this annual exercise to name military leaders who are sympathetic to civilian control. Other tests will come if the government attempts to punish coup leader Colonel Natusch and his supporters or permits the Congress to resume its provocative investigation into the alleged misdeeds of former President Banzer, who still commands the loyalty of many rightwing military men. The armed forces could also react unfavorably if they perceive the government moving too far to the left--a rationalization advanced by Natusch to justify his coup last month.

Outlook

The Gueiler government has not yet attempted to implement the electoral reforms needed to prevent a repetition of the deadlock that destroyed the credibility of the national election in July. If reform is not forthcoming or if the financial crisis is not solved, the fragile political coalition behind Gueiler could fall apart as the presidential election nears. Moreover, powerful political and labor organizations--emboldened by their role in defeating the Natusch regime--could again create political turmoil to further their aims, providing the catalyst for military unity and another intervention in Bolivian politics.